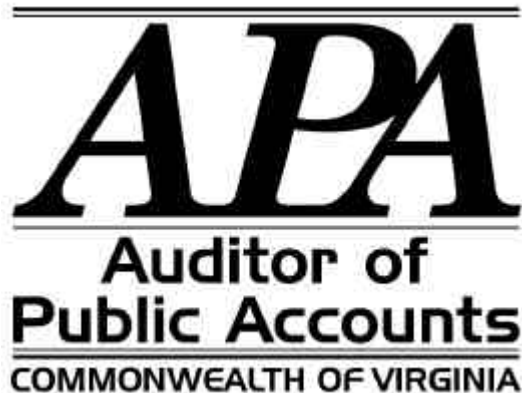


**AGENCIES SERVING VIRGINIANS WITH DISABILITIES
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2001**



AUDIT SUMMARY

This report includes agencies that serve Virginians with disabilities. These agencies include the following:

- Department of Rehabilitative Services (including the Woodrow Wilson Rehabilitation Center)
- Department for the Blind and Vision Impaired (including the Virginia Rehabilitation Center for the Blind and Vision Impaired)
- Department for the Deaf and Hard-of-Hearing
- Virginia Board for People with Disabilities

Our audit of the Agencies Serving Virginians with Disabilities for the year ended June 30, 2001, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- internal control matters that we consider reportable conditions; however, we do not believe that any of the reportable conditions are material weaknesses;
- non-compliance with applicable laws and regulations tested; and
- corrective action for three prior year audit findings; however, two prior year findings were reissued.

- TABLE OF CONTENTS -

AUDIT SUMMARY

BUDGET CUT PROPOSALS

AGENCY OPERATIONS:

Department of Rehabilitative Services

Department for the Blind and Vision Impaired

Department for the Deaf and Hard-of-Hearing

Virginia Board for People with Disabilities

INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

INDEPENDENT AUDITOR'S REPORT

AGENCY OFFICIALS

BUDGET CUT PROPOSALS

Below is a description of the proposed actions the Agencies serving Virginian's with Disabilities plan to implement to meet the budget reductions for the remainder of the 2002 fiscal year and the 2003-2004 biennium.

Department of Rehabilitative Services

Rehabilitative Services (excluding the Woodrow Wilson Rehabilitation Center) plans to reduce its budget by \$815,881 in fiscal year 2002. The Department plans for an additional \$2,179,842 budget reduction during the 2003-2004 biennium by doing the following:

- Reduce administrative cost (travel, marketing, etc.)
- Keep 12 positions vacant
- Reduce their state match for the Vocational Rehabilitation grant, which may reduce federal funding by \$1,473,201
- Reduce services to consumers with a non-significant disability

Woodrow Wilson Rehabilitation Center plans to cut administrative cost by reducing wage and overtime pay, training, travel, and fixed asset maintenance.

Department for the Blind and Vision Impaired

The Department for the Blind and Vision Impaired plans to reduce its budget by \$209,546 in fiscal year 2002. The Department plans for an additional \$551,597 budget reduction during the 2003-2004 biennium. The Department plans to use other revenue sources (e.g. sale of low vision aids, building rentals, vocational rehabilitation and other federal grant funds) to cover training and evaluation equipment, a portion of rehabilitation teachers' salaries, and staff training. In addition, the Department plans to reduce or eliminate the following:

- Funding for sub-regional libraries to purchase adaptive equipment
- Cafeteria expenses that exceed the food service yearly contracted amount
- Wage positions
- Administrative costs for contractual services, equipment, supplies, and material purchases

Department for the Deaf and Hard-of-Hearing

The Department for the Deaf and Hard-of-Hearing plans to reduce its budget by \$43,446 in fiscal year 2002. The Department plans for an additional \$113,819 budget reduction during the 2003-2004 biennium. The Department plans to use one time cost savings for the current fiscal year and abolish a vacant position in the new biennium to achieve the reductions.

Virginia Board for People with Disabilities

The Virginia Board for People with Disabilities plans to reduce its budget by \$4,392 in fiscal year 2002. The Department plans for an additional \$11,623 budget reduction during the 2003-2004 biennium. The Department plans to reduce administrative cost by reducing computer purchases and part-time personnel hours.

AGENCY OPERATIONS

DEPARTMENT OF REHABILITATIVE SERVICES

Program Operations

The Department of Rehabilitative Services helps Virginians with physical, mental, or emotional disabilities become employable, self-supporting, and independent. Rehabilitative Services uses the definition of “disabled” found in the *Americans with Disabilities Act*. The Act defines a disability as a physical or mental impairment that substantially limits one or more of the major life activities of an individual.

The Department has four divisions that facilitate its mission. The following chart identifies each division, the number of individuals served, and related expenses.

<u>Division</u>	<u>Individuals Served</u>		<u>Related Expenses</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Vocational Rehabilitation	33,670	32,355	\$ 58,113,733	\$ 53,397,736
Employment Services and Special Programs	2,725	2,219	11,836,786	10,629,102
Community-Based Services	13,670	11,921	17,529,265	15,559,681
Disability Determination Services	<u>89,919</u>	<u>86,272</u>	<u>28,485,768</u>	<u>26,441,177</u>
Totals	<u>139,984</u>	<u>132,767</u>	<u>\$115,965,552</u>	<u>\$106,027,696</u>

Source: *Rehabilitative Services Fiscal Division*

Vocational Rehabilitation

The Vocational Rehabilitation (VR) Program provides assistance to people with disabilities in their efforts to become employed and self-sufficient. The VR Program is the largest division in Rehabilitative Services, consisting of a central office and 40 field offices statewide. The VR Program is a federally-funded program (79 percent) and requires a state match of 21 percent. The VR grant supports rehabilitation services for persons with disabilities who need assistance to prepare for, obtain, or maintain employment. Services may include: assessment, counseling and evaluation, training, career exploration, mental and physical rehabilitation, technology, job development and placement, and miscellaneous support services required to participate in a rehabilitation program or get and maintain employment.

The VR Program also works with local educational agencies to assist with the transition of disabled students to post-secondary opportunities that lead to employment outcomes. The VR Program provides services to employers and the business community and assists in structuring work environments and jobs to make them accessible to qualified persons with disabilities.

Rehabilitative Services uses three criteria to determine eligibility for VR benefits. An individual is eligible if (1) the individual has a physical or mental impairment that, for the individual, constitutes or results in a substantial impediment to employment; (2) the individual can benefit in terms of an employment outcome from VR services; and (3) the individual requires VR services to prepare for, secure, retain, or regain employment.

Individuals eligible for services work with a VR counselor who helps them develop an individualized plan for employment. The individualized plan for employment lists the employment goals and the services needed to help attain those goals.

Employment Services and Special Programs

The Employment Services and Special Programs Division provides employment opportunities for disabled individuals. This division's activities include planning, establishing, developing, coordinating, expanding, rate setting, vendor approving, and evaluating vocational and employment services. The Division offers the following programs:

- Supported Employment Program
- Vendor Services Program
- Deaf and Hard-of-Hearing Program
- Substance Abuse Services Program
- Extended Employment Services Program
- Long-Term Mentally Ill Program
- Workers' Compensation Program
- Employment Services Organizations
- Employment Services Organizations' Interactive Directory

Community-Based Services

Rehabilitative Services administers several programs within the Community-Based Services Division, which emphasize a broad range of needs for individuals with physical and/or sensory disabilities, and complement the Department's VR Program. The Community-Based Services division offers the following programs and services:

- Assistive Technology Loan Fund Authority
- Brain Injury and Spinal Cord Injury Services
- Consumer Service Fund, Disability Services Boards
- Independent Living Centers
- Long-Term Rehabilitation Case Management
- Personal Assistance and Nursing Home Outreach Services
- Virginia Assistive Technology System

Disability Determination Services

The U.S. Department of Social Security Administration contracts with the Commonwealth's Disability Determination Services to administer the Social Security Disability Insurance Program and the Supplemental Security Income Program. The Disability Determination Services Division receives its federal funding from a disability insurance grant and had expenses of \$28,485,768 in fiscal year 2001. The Division's primary role is to determine if an individual is "medically" eligible to receive Social Security benefits. This Division has the following functional areas:

Development Center – Receives initial claims from the Social Security Administration, where analysts obtain sufficient medical and other data for eligibility determination.

Regional Offices – Receive claims from the development center and forward them to a counselor in a regional office who then determines eligibility. Regional offices also handle appeals and claims under review for continuation of benefits.

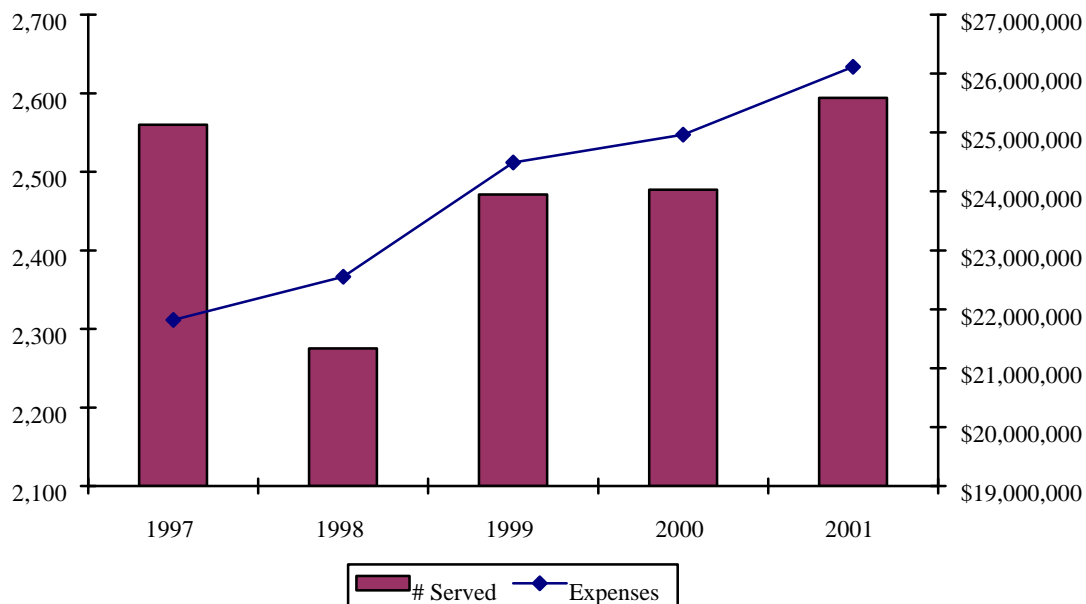
Administrative Office – Coordinates activities between the four regional offices and serves as the liaison with the Social Security Administration. This office also performs administrative reviews for quality control, professional relations, security, and fiscal activities.

Woodrow Wilson Rehabilitation Center

Woodrow Wilson Rehabilitation Center, one of nine comprehensive rehabilitation facilities in the country, is a sub-agency of the Department of Rehabilitative Services. Rehabilitative Services refers about 75 percent of Woodrow Wilson's clients. Woodrow Wilson primarily serves individuals with multiple service needs. Woodrow Wilson operates a Post Secondary Education Transition Program, as well as a Vocational Rehabilitation Program that offers subjects like computer-aided drafting, bookkeeping, and health occupation. Woodrow Wilson also operates a Comprehensive Outpatient Rehabilitation Facility. The average length of stay at Woodrow Wilson is 3 to 18 months.

The following graph illustrates the increase in the number of people served by Woodrow Wilson and related expenses over the last five years.

Persons Served and Related Expenses 1997 - 2001



Woodrow Wilson is 75 percent federally-funded. Rehabilitative Services transferred close to \$16 million of the VR grant to Woodrow Wilson in fiscal year 2001. Woodrow Wilson also receives third party medical reimbursements from insurers like Medicare, Medicaid, and private insurance carriers. RSI Metro bills and collects all third party reimbursements for Woodrow Wilson. Woodrow Wilson also receives private funds and student financial aid assistance.

During fiscal year 2001, Woodrow Wilson became fully operational as a certified comprehensive outpatient rehabilitation facility. Prior to 2001, Woodrow Wilson was licensed as an inpatient facility, which did not accurately reflect the facility and the services provided. Allowable charges have increased for Medicaid and Medicare under the new licensure. In addition, Woodrow Wilson initiated rate increases on April 1, 2001.

Financial Information

The following are total funds available and total expenses for the Department of Rehabilitative Services (including Woodrow Wilson Rehabilitation Center) during fiscal year 2001.

Funds available:	
General fund	\$ 48,782,519
Special revenue	27,451,629
Federal trust fund	86,120,966
Fund balance carryover	<u>7,535,533</u>
 Total revenues	 <u>\$169,890,647</u>
 Expenses:	
Personal services	\$ 54,902,161
Contractual services	27,925,768
Supplies and materials	3,664,305
Transfer payments	55,696,668
Continuous charges	5,228,361
Property and improvements	7,060
Equipment	2,953,116
Plant and improvements	<u>541,350</u>
 Total expenses	 <u>\$150,918,788</u>

Funds available source: CARS 402 Report for June 30, 2001

*Expenses source: Department of Rehabilitative Services SEYBR413a - Expenditures for All Programs
Report for June 30, 2001*

Administrative Operations

Agencies serving Virginians with Disabilities agreed to pool their resources and reduce administrative overhead cost by having the Department of Rehabilitative Services operate a service bureau. The Service Bureau provides services to each disability agency under a memorandum of understanding. Typically, services include payroll, human resources, procurement, internal audit, financial, budgeting, and information technology.

Information Technology

Rehabilitative Services' Information Services Division provides information technology support to all of the disability agencies. The following are critical information systems for the Department of Rehabilitative Services and the Service Bureau.

- **Vocational Rehabilitation Information System (VRIS)** – tracks VR clients as they move through the rehabilitation process. The system provides for entry of the employment plan and authorization and payment of services and generates all mandated reports.
- **Employment Service Organizations and Facilities System** – tracks the activities of clients participating in employment service programs. This system provides for allocation of funds and purchase of services.

- **Virginia Claims Processing System (VCPS)** – allows for the receipt, update, and closure of all claims processed in the Disability Determination Services Division as well as the development of evidence either by using the Medical Evidence of Record or Consultative Examination modules; preparation of the decisional documents; posting of all transactions to the electronic worksheet; recording of receipt of evidence and authorizing of the payment of such evidence.
- **Multi-Agency Fiscal System** – is the disability agencies' financial accounting system. It is primarily used for processing vouchers for administrative and client transactions and reporting financial data. The multi-agency system contains the following modules: Accounts Payable, Payroll, Budgeting, State End-of-Year, Post Closeout, and IRS 1099 Processing.

Initiative Updates

- **Replacing the Disability Determination System** – The Division has completed the ILEVY system conversion and modification, which the U.S. Department of Social Security Administration provides to state determination services agencies. Information Technology staff is conducting small group training in the Disability Determination Service offices around the state. Following the training, the offices will begin to use the new system for new cases. The staff will continue to use the existing Disability Determination Service System to complete the processing of the existing cases it contains. The transition to the new system should occur completely within the 2002 calendar year.
- **Integrated Fiscal Systems** - Rehabilitative Services has two internal fiscal systems that collect financial data from case management applications and interact with the Commonwealth's Accounting and Reporting System. Merger of the two internal accounting systems into one system reduces information system staff maintenance efforts and occurred in November 2001. The remaining process is the verification of fiscal year end processing at June 30, 2002.
- **Electronic Document Management System (EDMS)** - The EDMS project is an effort to integrate data management systems and the accompanying source documents into a single application computer system. Management has completed an evaluation of two EDMS products across four different business processes. Rehabilitative Services issued an Invitation for Bid in April 2001, and solicited competitive bids for customization, software licenses, integration services, maintenance and support and user training. The bidding process resulted in a contract award to Optical Imaging Technology. A three-phase implementation of EDMS began in June 2001. Implementation will occur over five years, with the costs beginning in year two.
- **Integrated Case Management System (ICM)** - The ICM project is an effort to integrate up to 21 legacy data management systems into a single application computer system. Rehabilitative Services plans to complete the project in June 2003 and will have a requirements definition upon completion of evaluations of two commercially available products scalable to meet the needs of the disability services agencies. Currently, Rehabilitative Services is writing the request for the

system proposal. The Department has been notified that it will receive a grant award that will pay for the second pilot testing.

DEPARTMENT FOR THE BLIND AND VISION IMPAIRED

Program Operations

The Department for the Blind and Vision Impaired enables blind, deaf-blind, and visually impaired individuals to achieve their maximum level of employment, education and personal independence. The Department for the Blind and Vision Impaired is the primary resource for individuals with blindness and vision-related disabilities. The Department provides vocational training and placement services, daily living skills instruction, orientation and mobility services, counseling, Braille, and training in the use of various types of adaptive equipment. The Department works cooperatively with the Department of Education and the public school systems to assist in the education of blind, deaf-blind, or visually impaired students. The Department provides these services and devices through a variety of programs such as Vocational Rehabilitation Services, Rehabilitation Teaching and Independent Living, Educational Services, Virginia Rehabilitation Center for the Blind and Vision Impaired, Library and Resource Center, Randolph Sheppard Vending Program, and Virginia Industries for the Blind. The following chart identifies each division, the number of individuals served, and related expenses for fiscal years 2000-2001.

<u>Divisions</u>	<u>Individuals Served</u>		<u>Related Expenses</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Vocational Rehabilitation Services	1,427	1,356	\$5,237,585	\$5,197,020
Rehabilitation Teaching and Independent Living	3,232	3,363	3,216,558	2,662,577
Educational Services	2,749*	2,822*	653,128	695,043
Virginia Rehabilitation Center for the Blind and Vision Impaired	893**	661	1,875,687	1,702,519
Library and Resource Center	10,267	9,946	1,242,506	1,067,503
Randolph Sheppard Vending Program	61	59	456,143	466,860
Virginia Industries for the Blind	<u>104</u>	<u>118</u>	<u>10,715,439</u>	<u>8,388,438</u>
Totals	<u>18,733</u>	<u>18,325</u>	<u>\$23,397,046</u>	<u>\$20,179,960</u>

Source: CARS 1499: Expenditure/Encumbrance by Program and CARS 1408: Statement of Appropriations Allotments and Expenditures Operating as of June 30, 2001.

* Includes individuals of all ages that received orientation and mobility instruction.

** Significant increase due to 30th anniversary celebration.

Vocational Rehabilitation Services

Vocational Rehabilitation (VR) Services assists in making employment opportunities available to persons with visual disabilities. Assessment services are provided to determine eligibility, which may include eye, hearing, and general medical evaluations, as well as special aptitude and ability tests, psychological tests, work evaluations, and vocational explorations. Services that may be provided include, but are not limited to, training to assist individuals in adjusting to loss of vision, vocational and adjustment counseling, vocational training and placement, eye surgery and/or eye treatment for a limited number of individuals, adaptive equipment for training and/or employment, rehabilitation engineering services to modify training and/or sites, and supported employment services for blind multi-disabled individuals.

Rehabilitation Teaching and Independent Living

Rehabilitation Teaching and Independent Living provides services necessary to enable people with visual disabilities to achieve their maximum level of independence and participation in society. A service program is individually designed to develop and raise the level of adaptive coping skills and functional independence of youths and adults who are blind or visually impaired. Some of the services provided are adjustment counseling, daily living skills training, Braille, typing, script writing, home management skills, assistive technology services and devices, and other specialized services. These types of services are especially important for individuals experiencing severe visual loss for the first time.

Educational Services

Educational Services provides technical assistance and support to families and teachers of infants and children with visual disabilities that will assist them during the child's developmental and educational process.

Virginia Rehabilitation Center for the Blind and Vision Impaired

The Virginia Rehabilitation Center for the Blind and Vision Impaired provides a program of evaluation, adjustment, and prevocational training, which enables students to learn skills necessary for greater independence, efficiency, and safety on the job, at home, and in social settings. The Center provides specialized training and evaluation in computer technology, Braille technology, and customer service representative training.

Library and Resource Center

The Library and Resource Center provides reading and listening materials to increase knowledge and educational achievement, as well as providing for leisure reading. The Center offers library services to persons who are physically disabled, visually disabled, hearing impaired, or reading disabled. The Resource Center provides Braille, large print textbooks, and educational materials to local school divisions to support education of visually impaired and blind children.

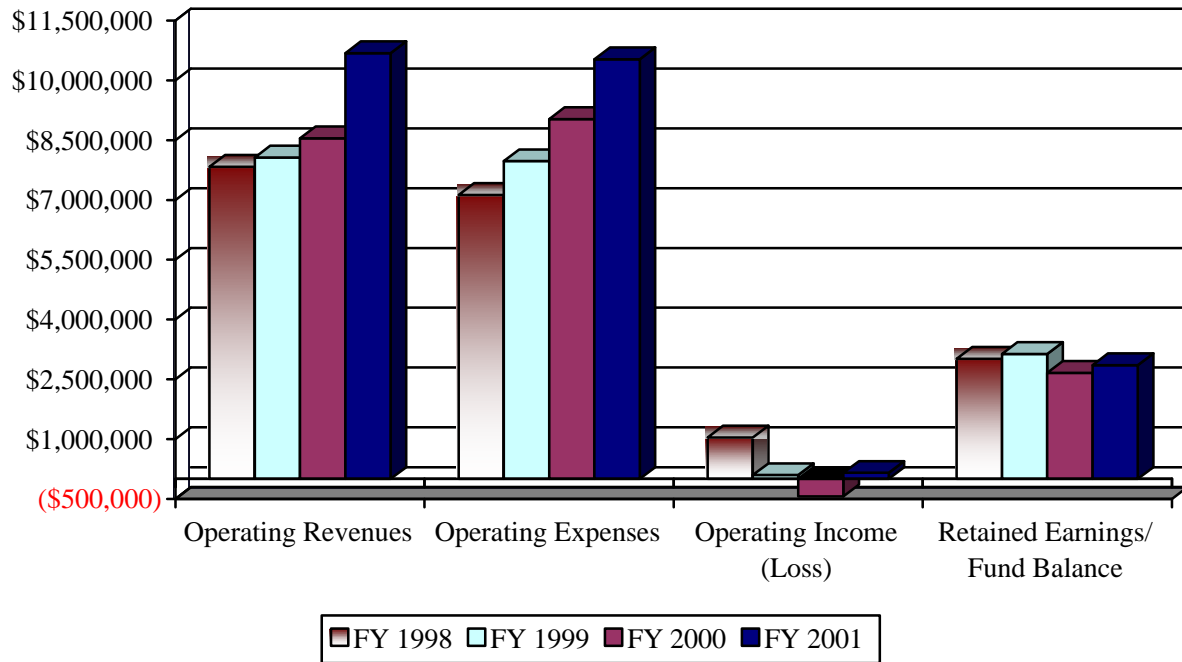
Randolph Sheppard Vending Program

The Randolph Sheppard Vending Program provides jobs to broaden economic opportunities for individuals who are blind or visually impaired. Under this program, legally blind individuals receive priority to operate any existing or developing vending or cafeteria service in federal, state, and municipal buildings.

Virginia Industries for the Blind

The Virginia Industries for the Blind (VIB) provides work evaluation, training, and employment opportunities to individuals who are blind or visually impaired. VIB, the business enterprise division of the Virginia Department for the Blind and Vision Impaired, manufactures items for military bases and government offices. During fiscal year 2000, VIB operated at a net loss of \$436,016. However, due to increased mattress sales and the operation of new base supply centers, VIB's net income for fiscal year 2001 rose to \$152,591.

Virginia Industries for the Blind
Results of Operations for 1998 - 2001



Financial Information

The following chart illustrates total funds available and total expenses incurred by the Department for the Blind and Vision Impaired during fiscal year 2001.

Funds available:

General fund	\$12,274,226
Special revenue fund	1,106,183
Enterprise funds	10,591,410
Trust and agency fund	425,000
Federal trust fund	8,330,064
Fund balance carryover	<u>2,830,650</u>

Total funds available \$35,557,533

Expenses:

Personal services	\$11,648,617
Contractual services	2,746,126
Supplies and materials	6,508,048
Transfer payments	2,984,419
Continuous charges	1,220,670
Property and improvements	375,731
Equipment	1,672,058
Plant improvements	<u>298,386</u>

Total expenses \$27,454,055

Funds available source: CARS 402 BI Report as of June 30, 2001

Expenses source: Department for the Blind and Vision Impaired SEYBR 413a- Expenditures for all Programs Report as of June 30, 2001

Information Technology

There are five critical information systems used by the Department for the Blind and Vision Impaired:

- **STARBASE (System for Tracking and Reporting DataBASE)** - is a case management tool that provides case management information for the following program areas: Educational Services, Rehabilitation Teaching and Independent Living, Vocational Rehabilitation, Orientation and Mobility, and Deaf-Blind services. The Virginia Registry for the Blind is also maintained as part of STARBASE. The program areas listed above provide information to the U.S. Department of Education, Rehabilitation Services Administration and the Virginia Registry for the Blind transfers information to the Department of Motor Vehicles.
- **Keystone Library Automation System (KLAS)** - is a library automation system that is used to track and manage loans of Braille and large print textbooks and adaptive equipment to blind and visually impaired students statewide. It tracks all items by student, vision teacher, and school division. This system does not exchange data with other systems.
- **Reader Enrollment and Delivery System (READS)** - is a library automation system developed by the National Library Service for the Blind and Physically Handicapped and an agency of the Library of Congress. READS is used to manage patron records, and the collection of books on tape, Braille, large print, descriptive videos, and playback equipment. The system is also used to assign books to patrons and to prepare mailing cards for loaned items.
- **Macola, the Manufacturing Accounting System** - is used by the Virginia Industries for the Blind to track inventory movement in all respects (purchasing, accounts payable, bill of materials, production, inventory, sales order, accounts receivable, and general ledger).
- **Counterpoint** – is the point of sale inventory system used by the Virginia Industries for the Blind to track sales. It generates nightly reports that are keyed into Macola daily

DEPARTMENT FOR THE DEAF AND HARD-OF-HEARING

Program Operations

The Virginia Department for the Deaf and Hard-of-Hearing (VDDHH) works to reduce communication barriers between persons who are deaf or hard-of-hearing, their families, and the professionals who serve them. VDDHH operates with the full understanding that communication is the most critical issue facing persons who are deaf or hard-of-hearing. The foundation of all programs at VDDHH is communication – both as a service (through interpreters, technology, and other modes) and as a means of sharing information for public awareness (through training and education). The following chart identifies each division, the number of individuals served, and related expenses.

<u>Division</u>	<u>Individuals Served</u>		<u>Related Expenses</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Telecommunications relay services	1,529,470*	325,102	\$ 92,466	\$ 123,539
Interpreter services requests	1,558	1,603	115,571	116,586
Quality assurance screening candidates	445	315	166,249	138,780
Technology assistance program	1,284	1,225	243,963	213,346
Outreach, information, and referral	<u>91,814</u>	<u>90,356</u>	<u>611,369</u>	<u>520,451</u>
Totals	<u>1,624,571</u>	<u>418,601</u>	<u>\$1,229,618</u>	<u>\$1,112,702</u>

*During fiscal year 2001, VDDHH made a recommendation to the General Assembly requesting to change the method of reporting the number of clients served by the agency in order to reflect a more accurate number of clients. VDDHH currently reports the total 'traffic' in the telecommunications relay services area rather than the total number of clients served.

Source: SRDBR 451 Expenditures by Cost Code (agency intranet)

Note: Costs are based on individual program expenditures and do not take into consideration administrative costs, candidate registration fees, or payments made directly to AT&T for the Commonwealth's Virginia Relay contract.

Telecommunications Relay Services

The Virginia Relay Services allows individuals who are deaf, hard-of-hearing, speech impaired, or deaf-blind and use a text telephone for communication to contact individuals who do not use such devices. Virginia Relay processes over 1.5 million calls annually and is accessible by dialing 7-1-1.

Interpreter Services Request

The Interpreter Services Request Program includes a directory of qualified interpreters, as required by the Code of Virginia, and Interpreter Services Coordination. The directory includes information for contacting qualified interpreters. The Department coordinates referrals for courts, state government, and legislative activities.

Quality Assurance Screening Candidates

The Virginia Quality Assurance Screening Program provides written and performance skill assessments for individuals seeking employment as sign language interpreters or cued-speech translators.

Technology Assistance Program

The Technology Assistance Program distributes equipment to eligible individuals who are deaf or hard-of-hearing to assist them in becoming independent. Such devices include text telephones, voice carry-over telephones, hearing carry-over devices, amplifiers, and signalers. This service also offers a TAPLOAN program that consists of 22 loan sites and provides TAP equipment to individuals considering the purchase of the equipment or having equipment repaired. The Technology Assistance Program issues more than 1,200 equipment coupons yearly, which subsidizes the cost of a piece of TAP equipment and allows the individual to purchase the device at a wholesale cost.

Outreach, Information, and Referral Services

Outreach Services provides training to deaf and hard-of-hearing individuals and their families, to organizations, and to other individuals who provide services to the deaf and hard-of-hearing. The Program provides outreach on a regional basis through 13 private-sector contracts.

Resource materials are maintained by the Department for individuals seeking specific assistance related to deafness or hearing impairment and includes a library of books, videotapes, periodicals, and informational materials specifically related to issues affecting persons who are deaf or hard-of-hearing.

Financial Information

The following are total funds available and total expenses for the Department for the Deaf and Hard-of-Hearing during fiscal year 2001.

Funds available:	
General fund	\$1,418,227
Special revenue funds	139,825
Fund balance carryover	<u>21,072</u>
Total revenues	<u>\$1,579,124</u>
Expenses:	
Personal services	\$ 661,935
Contractual services	606,816
Supplies and materials	13,401
Transfer payments	48
Continuous charges	88,176
Equipment	<u>177,330</u>
Total expenses	<u>\$1,547,706</u>

Funds available source: CARS 402 Report for June 30, 2001

Expenses source: VDDHH SEYBR413a – Expenditures for All Programs Report as of June 30, 2001

VIRGINIA BOARD FOR PEOPLE WITH DISABILITIES

Program Operations

The Board serves as the Developmental Disabilities Planning Council for addressing the needs of people with developmental disabilities, as established under the federal *Developmental Disabilities Assistance and Bill of Rights Act* and the state *Virginians with Disabilities Act*. The Board advises the Secretary of Health and Human Resources and the Governor on issues related to people with disabilities in Virginia.

Major activities of the Board include:

- **Partners in Policy Making Program** - provides leadership training, resource development and advocacy skill workshops to people with developmental disabilities and parents of young children with developmental disabilities.
- **Youth Leadership Forum** - seeks to empower young people with disabilities to further develop their leadership skills. Rising high school juniors and seniors serve as delegates from communities throughout Virginia, by participating in a wide range of activities and learning experiences during the four day Youth Leadership Forum.

- **James C. Wheat Award** - recognizes individuals for outstanding service to Virginians with disabilities.
- **Developmental Disabilities Competitive Grant Program** - provides federal funds to initiate major disability service innovations.

Financial Information

The following are total funds available and total expenses for the Virginia Board for People with Disabilities during fiscal year 2001.

Funds available:	
General fund	\$ 145,240
Federal trust fund	1,002,464
Fund balance carryover	<u>486</u>
Total funds available	<u>\$ 1,148,190</u>
Expenses:	
Personal services	\$ 417,436
Contractual services	276,784
Supplies and materials	14,264
Transfer payments	241,018
Continuous charges	92,609
Equipment	<u>19,465</u>
Total expenses	<u>\$1,061,576</u>

Funds available source: CARS 402 B1 Report as of June 30, 2001

Expenses source: Virginia Board For People with Disabilities SEYBR 413a- Expenditures for all Programs Report as of June 30, 2001

INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

Comply with the Commonwealth's Cash Management Improvement Act Agreement

The Department of Rehabilitative Services did not request indirect cost recoveries on a monthly basis as stated in the Cash Management Improvement Act Agreement section 6.2.3.1. The agreement states that the department shall request funds once each month, such that they are deposited at the end of the month. The Department only made five random requests totaling approximately \$3 million during fiscal year 2001, thus increasing the potential for obligating state funds for items that could be funded through federal funds such as employees' salaries.

We recommend that the Department comply with the Cash Management Improvement Act Agreement. We also recommend that Rehabilitative Services review the Agreement to ensure compliance.

Develop Policies and Procedures Addressing Advance Payments to Clients

The Department of Rehabilitative Services paid \$23,000 to a client for anticipated future business purchases. Seven months later, the Department has not obtained documentation to validate this payment. As a result, the Department is unaware of how the client used these funds or if the funds were used for activities allowed by the Vocational Rehabilitation grant.

The Department has no policy for making advanced payments to clients, nor does it have procedures to verify the propriety of such payments. Therefore, we recommend that the Department establish a policy for advance payments made directly to a client, providing that counselors monitor client purchases to ensure no unauthorized expenditures occur.

Establish Procedures to Monitor Outstanding Authorizations

The Department of Rehabilitative Services does not cancel outstanding authorizations after a reasonable period of time. The June 2001 Authorization Aging Report shows approximately \$907,966 of outstanding authorizations are older than 30 days at year-end. Approximately \$172,823 or 19 percent of these authorizations are older than 120 days. The Department is in the process of implementing policies and procedures that will define the appropriate handling of outstanding authorizations; however, currently no policy exists to limit the life of outstanding authorizations. Without such a policy in place, internal controls could fail to prevent the cancellation and reuse of authorizations.

We recommend that the Department continue to develop and implement a written policy that includes management's review and defines the appropriate handling of authorizations over 180 days old. The Department should also implement policies to review all authorizations to determine if outstanding authorizations are reasonable. These procedures should identify the length of time authorizations may remain open without activity and define specific procedures to void and purge older authorizations from the system.

Comply with the Commonwealth's Contract Administration Policies

The Virginia Department for the Blind and Vision Impaired does not delegate contract administration in writing. The Department's purchasing manager advises an administrator verbally of responsibilities relating to the contract. As a result, administrators may not be properly informed regarding their duties towards the contract.

Section 10.2 of the Agency Procurement and Property Surplus Manual states: "Contract Administration shall be delegated in writing by the buyer designating a specific individual or position,

highlighting important aspects of the contract, and distinguishing between the administrator's authority and that which must remain a function of the purchasing office."

We recommend that the Department follow established policy for delegation of contract administration and that the administrator's authority and responsibilities be put forth in writing.

Improve Inefficiencies of the MACOLA Manufacturing Accounting System

The Virginia Industries for the Blind (VIB), a division of the Department for the Blind and Vision Impaired, is a manufacturing business that provides employment to individuals that are blind and visually impaired. VIB uses the MACOLA manufacturing accounting system for its operations. VIB purchased MACOLA in July 1998 for \$21,885 and began using it in fiscal year 2000. MACOLA has the following capabilities:

- Order Entry – initiates and track consumer orders
- Bills of Materials –structures/prices items for production
- Production Order – allocates materials/tracks orders and work-in-process
- Accounts Receivable – tracks billings
- Inventory Management – tracks inventory levels
- Purchase Order – initiates purchases of materials from vendors
- Accounts Payable – processes vendor invoices
- General Ledger – used for accounting and reporting purposes

We identified the following inefficiencies:

- MACOLA does not interface with the disability service agencies' accounting system (multi-agency), which results in multiple entry of information. VIB submits deposit certificates, credit memos, accounts receivable reports, accounts payable voucher packages, and other information to the Department of Rehabilitative Services to record its transactions into the multi-agency system.
- VIB has not closed MACOLA for fiscal year 2000 or 2001. As a result, VIB developed a schedule to close each fiscal year by June 2002.
- MACOLA improperly ages accounts receivables. As a result, the Department of Rehabilitative Services developed an automated tool in-house to verify the information reported by MACOLA.
- MACOLA reported incorrect inventory levels during a physical count performed in June 2001. VIB improperly froze the inventory levels for June 20th instead of June 30th and initially did not account for items produced between these two periods. This was identified as a procedural error and was corrected, so that the physical inventory counts recorded for the year ending June 30, 2001, are accurate.

VIB has a support contract with MACOLA's manufacturer, Treadstone Group Inc. This contract includes unlimited telephone support for assisting client personnel with the function and operation of standard MACOLA software. The Department paid Treadstone \$8,000 for the current two-year support service contract.

We recommend that VIB resolve these inefficiencies by adequately training staff using the MACOLA system and by maximizing the services provided by Treadstone.

April 12, 2002

The Honorable Mark R. Warner
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Vincent F. Callahan, Jr.
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Agencies Serving Virginians with Disabilities** for the year ended June 30, 2001, including:

- Department of Rehabilitative Services (including the Woodrow Wilson Rehabilitation Center)
- Department for the Blind and Vision Impaired (including the Virginia Rehabilitation Center for the Blind and Vision Impaired)
- Department for the Deaf and Hard-of-Hearing
- Virginia Board for People with Disabilities

We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objectives, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System and in the Department's accounting records, review the adequacy of the Department's internal control, and test compliance with applicable laws and regulations. We also reviewed the Department's corrective actions of audit findings from prior year reports.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Department's operations. We also tested transactions and performed such other auditing procedures as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

Expenditures	Appropriations and Transfers
Revenues	Patient/Client Accounting and Billing
Grants Management	

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Department's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations.

The Department's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

Audit Conclusions

We found that the Department properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System and in the Department's accounting records. The Department records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System, except where noted differently.

We noted certain matters involving internal control and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial records. Reportable conditions, described in the section titled "Internal Control Findings and Recommendations." We believe that none of the reportable conditions is a material weakness.

The results of our tests of compliance with applicable laws and regulations disclosed instances of noncompliance that are required to be reported under Government Auditing Standards.

The Agencies have not taken adequate corrective action with respect to the previously reported findings "Inefficient Systems Implementation," "Non-compliance with State Prompt Payment," and "Cancel Old Outstanding Authorizations." Accordingly, we included these findings in the section entitled "Internal Control Findings and Recommendations." The Department has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this report.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

EXIT CONFERENCE

We discussed this report with management at an exit conference held on May 8, 2002.

AUDITOR OF PUBLIC ACCOUNTS

CPS/kva
kva:23

AGENCIES SERVING VIRGINIANS WITH DISABILITIES
Richmond, Virginia

James Rothrock, Commissioner
Department of Rehabilitative Services

John Coffey, Deputy Commissioner of Administration
Department of Rehabilitative Services

Ronald Lanier, Director
Department for the Deaf and Hard-of-Hearing

Joseph Bowman, Commissioner
Department for the Blind and Vision Impaired

Brian S. Parsons, Director
Virginia Board for People with Disabilities